

# BUDGET CHANGES AT A GLANCE

## 2009/2010

**T**he following is an outline of major announcements in the recent Federal Government 2009-2010 Budget affecting Social Security and Family Assistance legislation. The proposed date of effect of each change is noted where known. In some cases, it is still subject to the introduction and passage of legislation.

### PENSIONS

#### Changes to the rate of Pension

From 20 September 2009 the rate of Age Pension, Disability Support Pension, Carer Payment, Bereavement Allowance, Widow B Pension and Wife Pension will increase by:

- \$64.98 per fortnight for singles
- \$20.28 (combined) per fortnight for couples

The increases will be paid in the following ways:

- For singles, \$60 will be added to their fortnightly base pension rate and the remaining \$4.98 will be paid as part of a new "Pension Supplement" (see below)
- For couples, the entire combined increase of \$20.28 per fortnight will be paid as part of a new "Pension Supplement"

The new "Pension Supplement" will combine the above increases with the existing GST Pension Supplement, pharmaceutical allowance, utilities allowance and telephone allowance. The Pension Supplement will be paid fortnightly with the base rate of pension, although from 1 July 2010 a portion of the supplement will be payable quarterly rather than fortnightly if the person prefers.

The "Pension Supplement" will also be paid to recipients of Widow Allowance, Partner Allowance and other income support recipients over Age Pension age.

From 20 September 2009 indexation of pensions will be linked to a new "Pensioner and Beneficiary Living Cost Index" (where it would be higher than the CPI).

#### Changes to the pension income test taper rate

From 20 September 2009 the pension taper rate will change as follows:

- For singles the taper rate will increase from 40 cents to 50 cents for every dollar of income above the income free threshold
- For couples, the taper rate will increase from 20 cents to 25 cents for every dollar of income above the income free area

This means that a person's income will reduce their rate of pension more than before.

These changes are not expected to affect people who are currently receiving a part pension due to income. For these people existing taper rates will continue to apply until the person would be "better off" under the new rules.

The higher income test threshold for pensioners with children will be abolished so that they have the same threshold as other pensioners without children.

#### Increase to Age Pension age

The Age Pension age is to increase to 67 years for both men and women by 1 July 2023. Transition to the higher Age Pension age will not begin until 2017 with qualifying age increasing by six months every two years to reach 67 on 1 July 2023.

#### Increase to pension advance payments

Currently a person can only be paid one advance payment of \$500 in any 12 month period. Pensioners will soon be able to

seek more than one advance per year with the amount to increase to three times the maximum weekly basic pension or 7.5% of the annual pension entitlement (whichever is lower). For a person entitled to full rate of pension, these amounts are more than \$700 for each member of a couple and more than \$900 for a single person.

#### Disability Support Pension assessments

From 1 July 2010 changes will be made to the Disability Support Pension assessment process so that those people who are "clearly" or "manifestly" eligible are fast tracked through the assessment process, while those who are "clearly not" eligible are "directed into more appropriate programs". There is little detail to clarify exactly what this means at this stage. Where eligibility is not "clear cut" an assessment will be made by a Senior Job Capacity Assessor.

New Health Professional Advice Units are to be established within Centrelink to give Senior Job Capacity Assessors specialist medical and rehabilitation advice, to complement treating doctors, reports.

The Government will introduce a payment to treating doctors who, with the client's consent, provide additional diagnostic or further information at Centrelink's request (\$80 for telephone advice and \$150 for a face to face consultation or written report).

The DSP "impairment tables" used to assess work related impairment are to be updated from January 2012.

## YOUTH AND STUDENTS

### Changes to youth allowance "independence" criteria

The "age of independence" for Youth Allowance and ABSTUDY is to be gradually reduced from 25 to 22 years (ie 24 years in 2010, 23 years in 2011 and 22 years in 2012).

From 1 January 2010 the following two existing "independence" criteria will no longer be available as a means of establishing "independent" status for Youth Allowance:

1. having worked part-time for a least 15 hours per week for two years or more since leaving school;
1. having earned equivalent to 75% of the relevant trainee minimum wage in an 18 month period since leaving school (in 2009 this requires earnings of \$19,532).

However, it will still be possible to establish "independence" where the person has had employment of at least 30 hours per week for at least 18 months during any period of two years.

This change will not apply to students who are already "independent" by virtue of having satisfied these criteria.

### Youth allowance and FTB to be conditional on full-time study for 15-20 year olds with no Year 12 qualifications

From 1 July 2009 continued receipt of Youth Allowance for 15-20 year olds with no Year 12 qualifications is to be conditional on undertaking study. From 1 January 2010 FTB paid to parents is to be similarly conditional on full-time study by the young person. Where study or training is undertaken on a part-time basis, additional activities will be required to fulfil participation requirements.

### Increase to the Youth Allowance Parental Income Test

From 1 January 2010 the Youth Allowance Parental Income Test threshold) is to be increased and aligned with the FTB Part A threshold. Further, the Youth Allowance "per child" taper rate will be replaced with a 20% per family taper rate.

### Income support for Masters by coursework students

Eligibility for Youth Allowance and Austudy Payment is to be extended to all eligible Masters by coursework students from 1 January 2012.

### Means test exemptions for equity and merit based scholarships

From 1 January 2010 equity and merit based scholarships (for higher education, vocational education and training, school and Australian Apprenticeships) are to be exempt from Social Security means tests. The exemption will only apply up to the equivalent value of Commonwealth Scholarships, currently \$6,622 (Commonwealth Scholarships are already exempt from social security means tests).

### Student Start-Up Scholarships for income support students

From 1 January 2010 a "Student Start-Up Scholarship" of \$2254 will be introduced for all university students receiving student income support. It is to be paid in two six monthly instalments.

This will replace the Commonwealth Education Costs Scholarship (existing scholarships will be grandfathered).

## CARERS

### Annual carer supplement

A new annual carer supplement of \$600 will be introduced in June

2009, replacing the previous one-off bonuses. The annual supplement will be paid to Carer Allowance recipients (\$600 for each eligible carer) and to Carer Payment recipients.

The existing Child Disability Assistance payment of \$1,000 per year for carers being paid Carer Allowance (child) will also continue.

## ALLOWANCES

### Readily available funds thresholds increased for the asset hardship provisions for allowees

Readily available funds thresholds (for the purposes of accessing the assets hardship rules) were increased for pensioners in 2008. A similar increase is to now apply to allowees, whose current thresholds are \$6,000 (single person) and \$10,000 (couple). The new thresholds below will be indexed regularly and will be based on annual payment rates:

- \$11,785.80 (single person with no children)
- \$12,750.40 (single with children, or over 60 and on income support continuously for at least 9 months)
- \$21,268.00 (couple)
- \$14,814.80 (parenting payment single)

## RETIREMENT

### Abolition of Pension Bonus Scheme and introduction of Work Bonus

The Pension Bonus Scheme will close to new entrants from 20 September 2009. Existing members will continue to accrue entitlements under existing rules. The scheme will be replaced by a new "Work Bonus" (an income test concession for employment income, with 50% of the first \$500 per fortnight of employment income disregarded for income test purposes).

**Commonwealth Senior's Health Card**

The Government is not going ahead with last year's budget announcement to include gross tax free superannuation pension income in the adjusted taxable income test for the card. However, income that is salary sacrificed to superannuation will be included in the Commonwealth Seniors Health Card income test from 1 July 2009.

**New Seniors Supplement (self funded retirees)**

The existing Seniors Concession Allowance and Telephone Allowance will be combined into one new Seniors Supplement. Single Commonwealth Seniors Health Card holders will receive an extra \$129 per annum.

**PARENTS AND FAMILIES****Paid Parental Leave scheme**

A paid parental leave (PPL) scheme is to be introduced from 1 January 2011. The scheme will provide eligible parents with up to 18 weeks of leave at the federal minimum wage. These payments will be treated as taxable income and will affect entitlement to family assistance payments, but will not be counted as income for income support payments. People who elect not to receive PPL or do not qualify, will continue to receive the Baby Bonus and other family payments if eligible.

Parents who choose to receive PPL will not receive the Baby Bonus (except in case of multiple births, where only the first child's baby bonus won't be paid) or FTB part B.

**Changes to participation requirements for parents and carers**

From 1 July 2009 participation requirements for principal carers of children will be relaxed, including allowing for a combination of part-time study, voluntary work and part

time paid work. Exemptions from activity requirements will be more flexible for principal carers.

Indexation changes to Family Assistance payments and thresholds  
Family Assistance indexation arrangements are to change as follows:

- From 1 July 2009 FTB Part A will be indexed in accordance with changes to the CPI (rather than being linked to pension indexation as it currently is)
- The following income thresholds will be frozen at current levels until July 2012:
- FTB B Primary earner threshold (\$150,000 p/a)
- Baby Bonus threshold (\$75,000 in first six months after birth)
- FTB Part A cut off threshold (\$94,316 plus \$3,796 for each additional child)

Care determinations for CSA and Centrelink to be combined

Currently, Centrelink and the CSA conduct separate assessments of percentage of care for each child in a parent's care. From 1 July 2010 parents will only have to participate in one care determination to work out both their child support and family assistance entitlements.

**OTHER CHANGES**

**New Training Supplement for Newstart Allowance and Parenting Payment recipients**

A new "Training Bonus" of \$41.60 per fortnight will be available to people receiving Newstart Allowance or Parenting Payment who are without year 12 or equivalent, or those who need to undertake training at the Certificate II level or higher to re-skill. The Training Bonus will be available for people commencing approved training between 1 July 2009 to 30 June 2011.

Liquid assets waiting period thresholds increased

For 1 April 2009 to 31 March 2011 the liquid assets threshold has been doubled to \$5,000 for singles without dependants and \$10,000 for others.

**Disability Employment Services**

From 1 January 2010 a new Disability Employment Services program is to replace the existing Vocational Rehabilitation Services and the Disability Employment Network programs.

**Disability Support Pension wage subsidy pilot**

A DSP wage subsidy pilot will operate from 1 March 2010 to 30 June 2012. Employers will be eligible for up to \$3,000 for each participant (up to 1,000 DSP recipients being assisted by specialist Disability Employment Service providers) who undertakes ongoing employment for a minimum of eight hours per week for 26 weeks.

**International Agreements**

New International Agreements with Latvia, the Czech Republic and the Slovak republic are expected to commence in January 2011.

**Centrelink debts**

From 1 January 2010 the standard rate of withholdings from a person's fortnightly payments to repay a Centrelink debt will increase from 14% to 15%.

**Extension of Assistance for Isolated Children Scheme (drought assistance)**

The Distance Education Allowance Supplement, Additional Boarding Allowance and consequential ABSTUDY Boarders' rate for School Fees Allowance are to be extended to 31 December 2010. ▲